



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

FOR IMMEDIATE RELEASE

June 26, 2001

CALIFORNIA RECEIVES \$4.3 BILLION LOAN TO PURCHASE POWER

Drain on taxpayer funds stopped

SACRAMENTO – California State Treasurer Philip Angelides today announced the closing of a \$4.3 billion loan to the State, with proceeds to be used to purchase energy in the months ahead. The funds were received by the State at 8:30 Tuesday morning. JP Morgan led the lenders with \$2.5 billion, followed by Lehman Brothers at \$1 billion, Commerzbank AG at \$500 million and Bayerische Landesbank at \$300 million.

“This short-term financing will stabilize the State’s fiscal condition by stopping the daily drain of taxpayer dollars to pay for power – preserving funds for critical programs such as education, law enforcement and health care,” Angelides said. “It is an important first step toward completion of the long-term energy bond sale, and a vote of confidence from Wall Street,” he added.

With today’s infusion of private funds, the State of California will be able to:

- stem the flow of taxpayer (General Fund) money for power purchases and replace it with financing secured solely by electricity rate revenues
- stabilize the State’s fiscal position and credit ratings
- make available working capital to the Department of Water Resources (DWR) power purchase program, providing flexibility in the timing of the bond sale and thereby avoiding the risk of a cash flow crisis before the long-term Power Supply Revenue Bonds are sold
- support the long-term bond issuance by building market momentum for the bond sale as a result of the substantial commitment of capital by leading investment and commercial banks
- negate any remaining generator arguments for a “credit premium” on the price of power charged to DWR due to the lack of external financing
- remove the current ability of generators to “walk” from most existing contracts by meeting the terms requiring DWR to obtain external financing by July 1, 2001

The overall interest rate at closing is 4.14%.

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